July 15, 2019

Jagatjit Industries Limited: Rating withdrawn

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Medium Term- Fixed Deposit	20.00	20.00	MB- (Negative); withdrawn
Total	**20.00**	**20.00**	

*Instrument details are provided in Annexure-1

Rationale

The rating assigned to Jagatjit Industries Limited (JIL) has been withdrawn, in accordance with ICRA's policy on withdrawal and suspension, as the company has requested for the withdrawal of the rating and the fixed deposit been paid off.

Outlook: Negative

The negative outlook continues to reflect the company's dependence on timely monetisation of assets for funding cash losses as well as meeting its debt-servicing obligations.

Key rating drivers

Credit strengths

Established presence in the domestic IMFL market through its flagship brand, Aristocrat, with operational track record of over five decades: The company was incorporated in 1944 and has been in the liquor industry for long time. Such a long presence has helped in building strong supplier and customer network.

Sale of malted milk food has provided steady inflow of accruals: Regular rental income and steady sales of malted milk food under long-term supply contract with GSK Consumer Healthcare provide steady accruals and have cushioned the impact of weakness in the liquor business to some extent.

Credit challenges

Continued pressure on IMFL's sales volume, which resulted in decline in revenues: The revenue of the company has taken a hit on a year-on-year basis due to lower sales volume.

Highly regulated industry with state government controlling the distribution and pricing in most of the states and also the application of high levels of duties and taxes: Liquor industry is highly regulated by respective state governments which puts pressure on operations of distillery and breweries.

Liquidity position

Pressure on the company's liquidity position is corroborated from its stretched payable position as well as reduced free cash balances and lower cushion in working capital limits vis-a-vis drawing power available.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology ICRA Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	Not applicable
Consolidation /Standalone	The ratings are based on the standalone financial profile of the company

About the company

Incorporated in August 1944 by Late Mr. L P Jaiswal, JIL is primarily involved in manufacturing and distribution of IMFL under its flagship brand, Aristocrat, in the domestic market. JIL also manufactures country liquor in Punjab. Liquor sales account for ~90% of the company's revenues. In addition to liquor, JIL also manufactures malt extract and malt milk-food, mainly for GSK Consumer Healthcare, which accounts for ~9% of JIL's revenues. Moreover, JIL has leased commercial properties in Gurgaon (Haryana) and New Delhi which provide rental income of ~Rs. 18 crore annually.

JIL's manufacturing unit for IMFL, country liquor as well as malt extract and malt milk-food, is located in Kapurthala (Punjab). The unit also has an in-house distillery. Besides this, JIL also has two bottling units in Alwar (Rajasthan) and Hyderabad (Telangana).

Key financial indicators (Audited)

	FY2018	FY2019
Operating Income (Rs. crore)	368.18	303.87
PAT (Rs. crore)	-71.62	-66.19
OPBDIT/ OI (%)	-10%	4.31%
RoCE (%)	-	-
Total Debt/ TNW (times)	1.72	2.38
Total Debt/ OPBDITA (times)	-	16.77
Interest Coverage (times)	-	0.18

Status of non-cooperation with previous CRA: CARE has moved the CARE D rating to issuer non-cooperation category in June 2019 due to non-availability of the requisite information to carry out rating exercise

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2020 July 2019	Date & Rating in FY2019 January 2019	Date & Rating in FY2019 April 2018	Date & Rating in FY2018 July 2017
1	Long-term fund based bank facilities- Cash Credit	Long Term	79.28	-	*	*	*	[ICRA]B- (Negative)
2	Long-term fund based bank facilities- Term Loan	Long Term	95.16	74.20	*	*	*	[ICRA]B- (Negative)
3	Short-term fund based bank facilities	Short Term	0.72	-	*	*	*	[ICRA]A4
4	Short-term non-fund based bank facilities	Short Term	25.00	-	*	*	*	[ICRA]A4
5	Unallocated	Long Term	26.40	-	*	*	*	[ICRA]B- (Negative)
6	Medium Term- Fixed Deposit	Medium Term	20.00	-	MB- (Negative) Withdrawn	MB- (Negative) put on notice of Withdrawal	MB- (Negative)	MB- (Negative)

**Rating(s) withdrawn*

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Medium Term- Fixed Deposit	-	-	-	20.00	MB- (Negative); Withdrawn

Source: Jagatjit Industries Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Not applicable	Not applicable	Not applicable

ANALYST CONTACTS

K. Ravichandran
+91 44 45964301
ravichandran@icraindia.com

Manish Ballabh
+91 124 4545 812
manish.ballabh@icraindia.com

Gaurav Singla
+91 124 4545 366
gaurav.singla@icraindia.com

Sanjay Pal
+91 124 4545 348
sanjay.pal@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore	+ (91 80) 2559 7401/4049
Ahmedabad	+ (91 79) 2658 4924/5049/2008
Hyderabad	+ (91 40) 2373 5061/7251
Pune	+ (91 20) 2556 0194/ 6606 9999